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CURRENT INTELLIGENCE DIGEST

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CENTRAL INTELLIGENCE AGENCY

State Department review completed

ARMY and USAF review(s) completed.

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EASTERN EUROPE

1. Livestock collections lagging in Hungary: Six villages have lost their free marketing privileges for delinquency in crop collection. In announcing this step, Szabad Nep, the Budapest Communist daily, pointed out that in spite of several warnings the villages had not complied with their obligations for months.


The US Legation in Budapest noted that the fact that one village was selected in each of six counties indicated that the measure was intended to frighten other delinquents. 

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Comment: The Hungarian Communist concern for production and delivery of crops is seen even in their attitude toward socialization of agriculture. Local officials were warned recently not to let their efforts at increasing the cooperatives interfere with the spring planting.

2. American Embassy evaluates Yugoslav reaction to Italian Trieste policy: In commenting on Yugoslav counter-demonstrations and reaction to events in Trieste, the American Charge in Belgrade reports that the "general tone of events in Yugoslavia indicates a firm, well-controlled attitude on the part of the regime designed to impress the West with Yugoslavia's determination not to yield to solutions arrived at without Yugoslav participation."

Bitterness is carefully directed at "fascists and irredentists" in an apparent effort not to worsen inter-governmental relations further, according to the Charge. 

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Comment: On 31 March, Tito bluntly warned the West that

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it may "lose the sympathy of our peoples" by supporting Italian territorial claims in the Free Territory of Trieste. He asserted that the United States and Britain are not attempting to correct the mistakes of the tripartite pledge to Italy, but, on the contrary, are extolling them. Yugoslavia, he contended, will never accept a dictated settlement of the Trieste dispute in favor of Italy.

The Charge warned in a cable last week that the reaction of Yugoslav officials to any semblance of Western support for Italian territorial claims would be strong, especially in the ranks of the Slovene members of the Communist Party.

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FAR EAST

3. Koreans incensed over Japanese property claims: Ambassador Muccio reports that, according to the Korean press, ROK Foreign Ministry officials are incensed over Japan's claim to property in Korea, which they consider is a repudiation of the Japanese peace treaty. Muccio believes the Japanese may be underestimating Korean sensitivities on the property issue in the current Japan-Korea talks. Asserting that the Koreans are unlikely to accept any compromise in their present mood, Muccio recommends that Japan be cautioned against giving the impression that it is repudiating the terms of the peace treaty. [REDACTED]

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Comment: The San Francisco treaty binds Japan to recognize the validity of Japanese property dispositions made by the US Military Government in Korea. The Japanese Government, however, feels that Korean claims for property in Japan of Japanese corporations whose head offices were in Korea are likewise unacceptable, and undoubtedly is working for a mutual cancellation of claims by both nations.

4. North Korean Air Force increases activity at Sariwon: United Nations aerial reconnaissance on 24 March disclosed that two airfields in the Sariwon area, 35 miles south of Pyongyang, had been repaired and that their runways were operational. [REDACTED]

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Comment: Sariwon was reported in October 1951 as a storage area for concealed North Korean aircraft. These two airfields, both sod, are believed to be the bases for North Korean-piloted PO-2 biplanes which have made sporadic harassing attacks against UN rear installations.

The enemy's unwillingness, thus far, to provide adequate jet fighter coverage this far south would seem to rule out Sariwon's utility as an operational Communist airfield for anything heavier than PO-2's. It is possible, however, that the Communists are seeking to establish operational air installations within North Korea either in conjunction with cease-fire preparations or in preparation for a renewed offensive.

5. Japanese detainees remit funds from Communist China: Three million yen from Japanese nationals in Communist China were

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delivered to the Japan-China Friendship Society in Tokyo on 27 March, according to the newspaper Asahi. The funds, except for ten percent earmarked for the Zenshinza theatrical troupe, were addressed to 345 families.

25X1 This is the first time, according to this account, that the Chinese Communist Government has permitted Japanese to remit funds home. [redacted]

Comment: This transfer of funds, which is unconfirmed, appears to be a Chinese Communist propaganda maneuver.

Both the Japan-China Friendship Society and Zenshinza are Communist fronts.

6. British firms in China now plan to close immediately: The British Government is preparing to ask Peiping authorities to allow immediate arrangements to be made for closing most of the remaining British firms in China. This approach has been requested by the principal British business interests operating in China, and will probably be made early in April because of their fear that the Communist authorities have learned of their intention to withdraw eventually and may be planning retaliation. [redacted]

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Comment: Most British interests operating in China now believe that the Chinese Communists are determined to eradicate all foreign economic influence, and that it is therefore futile to attempt to continue their mainland operations under existing handicaps [redacted]

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25X1 [redacted] However, these firms remain powerful advocates of a "non-provocative" British policy toward China, since they are in most cases based at Hong Kong, and anticipate continued profitable conditions elsewhere in the Far East this year.

7. French industrialists may force withdrawal from Indochina: French industrial and export interests may initiate a press campaign against the continued drain of wealth and manpower in Indochina if they fail to obtain substantial tariff preferences in the trade discussions scheduled to start 18 April with the Associated States. The Economic Counselor of the French High Commission, who has just returned to Saigon from Paris, is convinced that French troops would be withdrawn from Indochina within three months after the launching of such a press campaign by big business.

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Minister Heath comments that extensive preferences for French interests would defer the development of stable political institutions in the Associated States and also further reduce the number of adherents to the Bao Dai government.

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Comment: French business interests have supported the military effort in Indochina on the assumption that France would retain economic dominance when peace is established.

Even with business hostile, a complete withdrawal is unlikely for reasons of prestige. Nevertheless, a fettering of French economic activity in Indochina would probably result in determined efforts by France to arrive at a negotiated peace with the Viet Minh.

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9. Burmese Government's anti-Communist campaign continues: The Burmese War Office reports that its operations against the Communist insurgents in north-central Burma are continuing "with much success."

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Comment: Even if the success of these operations is exaggerated, the campaign indicates an increased determination to combat the Communists. This determination is also reflected in recent statements by the Premier and the Defense and Home Ministers rejecting Communist peace feelers and again demanding that the Communists lay down their arms.

10. Anti-Communist campaign in Malaya seen endangered by American rubber policy: The American Consul General in Singapore reports that Malayan officials and rubber producers are arguing strongly that the present American rubber policy, if continued, will dangerously impair the Malayan economy and will play into the hands of the local Communists. They emphasize that this policy, which involves decreased natural

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rubber purchases in Malaya and support of synthetic production, will not only reduce the vitally important dollar contribution which Malaya makes to Britain but will also reduce the living standard of thousands of Malays who are highly vulnerable to Communist influence. [REDACTED]

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Comment: Although the arguments reported by the Consul General are plausible, they are influenced by self-interest. The extent to which the rubber industry and the anti-Communist campaign may be endangered by American rubber policies cannot now be assessed.

SOUTH ASIA

11. Maharajah of Bhutan is dead: The 50-year old Maharajah of Bhutan died on 24 March after a brief illness, according to a Reuters dispatch from Gangtok in nearby Sikkim. [REDACTED]

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Comment: The late Maharajah [REDACTED] successfully prevented the expansion of both Chinese Communist and Indian influence in Bhutan. He established border posts and a system of travel permits to check Chinese infiltration from Tibet, and also resisted Indian requests to send troops and a mapping mission into Bhutan because of his fear of eventual Indian domination. The length of time Bhutan remains outside Chinese or Indian control will probably depend in large part upon the strength of character of the Maharajah's successor.

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The Crown Prince of Bhutan, about 25 years old, has until recently displayed no great interest in governmental affairs. Since 1950, he has governed a portion of the country and has won much popularity because of his liberalism. He is married to a daughter of Bhutan's capable Foreign Minister, who has been responsible for much of his country's foreign policy. The Crown Prince is [REDACTED] qualified to succeed his father. However, his ability to oppose foreign pressure is still questionable.

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The southern border of Bhutan is less than 50 miles from all major road, rail, and river communications routes connecting the province of Assam directly with the rest of India.

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12. Reported Afghan-Pakistani border raid still unconfirmed:
No Afghan or American source in Afghanistan has heard of the attack alleged by the Pakistani Foreign Secretary to have been made on 24 March by 3,000 Afghans on a Pakistani border post near Chaman, close to the southern Afghan frontier. The Pakistani Charge in Kabul has been informed of the incident by his government but has received no instructions to protest it.

25X1 [redacted] some sort of conflict between nomadic and settled Afghan tribesmen occurred on or about 23 March, during the course of the nomads' annual migration to the hills of central Afghanistan. The American Embassy in Kabul comments, however, that such incidents are regular occurrences and that they seldom have political significance. [redacted]

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Comment: Neither the Afghan nor the Pakistani press has taken notice of the alleged raid. The Pakistani Foreign Secretary appears to have reported it to the American Embassy as part of a political maneuver to influence American thinking on the Kashmir issue in favor of Pakistan.

NEAR EAST - AFRICA

13. Iranian Prime Minister reportedly will remain in office:
Prime Minister Mossadeq apparently has decided not to resign when the new Majlis meets, according to Minister of Court Ala. Mossadeq, in conversation with Ala, spoke as though he intended to remain in office indefinitely, and indicated that he will abandon efforts to revive Iran's oil industry and concentrate on balancing the national budget without the oil income.

25X1 The Shah has left Tehran for a ten-day rest. According to Ala, the Shah had been counting on Mossadeq's voluntary resignation. [redacted]

Comment: Mossadeq's conversation with Ala appears to foreshadow a serious attempt by the Prime Minister to collect taxes from recalcitrant merchants and landlords. The government, however, may choose to expand the note issue and to use the gold cover to finance its operations. Either move would arouse strong opposition.

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Meanwhile, Iran's financial situation is steadily growing worse, and the funds available to the government for the month ending 21 March barely covered government salaries and wage commitments.

14. Libya not considering Arab League membership: Libya has no intention of joining the Arab League at this time, according to the American Minister in Tripoli. The Minister noted that the King's speech at the opening of Parliament contained friendly references to other Arab states, but no mention of the Arab League. When the American Minister commented on this omission, the King smilingly said that it was enough to know one's friends without joining an organization for that purpose.

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Comment: While there is considerable sentiment among Libyans generally favoring Arab League membership, Libya resents the interference of the League, particularly of Egypt, in its domestic affairs.

Since the new Libyan Government recently invited the construction of American military installations in Cyrenaica and expressed interest in joining the proposed Middle East Command, King Idris may consider it more profitable now to strengthen Libya's ties with the West rather than those with the Arab countries.

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WESTERN EUROPE

15. Possible Soviet moves in Berlin examined: Although

American officials in Berlin believe that [REDACTED]

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25X1 [REDACTED] reports of a Russian plan for another Berlin blockade were planted by the USSR as part of a "scare campaign," they anticipate increased harassing in Berlin at the time of West Germany's signing or ratification of the contractual agreements.

These officials doubt that the Russians will step up interference in Berlin at the present time, however, particularly while they are trying to attract West German sympathy for their unity and peace proposals. [REDACTED]

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[REDACTED]
Comment: Soviet harassing measures in Berlin have slackened in recent months, although the USSR is still causing some inconvenience by delaying the approval of export permits and by the occasional closing of some canal locks on the routes to Berlin.

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17. United Nations investigating commission bolsters Berlin morale: American observers report that the reactions of West Berliners to the recent Berlin visit of the UN commission were characterized by restrained satisfaction and some disappointment. The appearance of the commissioners, whose task is to investigate the feasibility of free all-German elections, provided a "psychological shot in the arm" for most residents by focusing world attention on the problems of Berlin. Many residents, however, felt let down because the commission did not exert some kind of dramatic pressure on the East German Government to be admitted to its territories. Such pressure would have clearly put that government on the propaganda defensive.

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Comment: When denied admission to East Germany, the commission returned to Geneva. It plans to wait several weeks before reporting to the UN Secretariat -- at least until the Soviet Union has had an opportunity to reply to the 25 March Allied note concerning a German peace treaty and all-German elections. Should the commission file a negative report immediately, it might appear as though the UN were closing the door to Soviet acceptance of the Allied position.

18. Major Communist propaganda effort anticipated in Vienna conference on child welfare: American officials in Austria report direct Soviet participation in the intense propaganda build-up for the Vienna International Conference for the Protection of Children scheduled for 12 to 16 April. As a part of the preparatory campaign, the Soviet Deputy High Commissioner delivered a protest to the American Embassy in Vienna on 25 March regarding the alleged "abduction" of children of Soviet nationality from the US Zone of Austria. Local Communist propaganda links the conference with such current issues as biological warfare and Western rearmament.

Invitations have been sent to major United Nations and non-Communist international welfare agencies. The official Soviet organ in Austria boasts that delegates from 45 countries will attend the meeting.

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Comment: Local preparation for this conference closely parallels that which preceded the World Peace Conference

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last fall. That meeting was also prefaced with an official Soviet denunciation of Austrian remilitarization followed by an elaborate propaganda effort on the part of the Austrian Peace Committee. International meetings called by the WFTU in Vienna are also notable for recent efforts to obtain respectable international participation.

19. Austrian officials complain of Soviet unilateral intervention: The Austrian Minister of Interior complained at a recent cabinet meeting of the "continued unilateral interference" of Soviet occupying forces in internal Austrian affairs. He cited in particular the obstruction of roads in the vicinity of the Czech border, property requisitions, the harassment of local officials with personal questionnaires, and the interrogation of Austrian citizens at border crossing points. [REDACTED]

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Comment: Austrian efforts through publicity to discourage unilateral Soviet intervention in Austrian affairs may give an exaggerated impression as to the number of such episodes. Despite the increased vigor with which the Russians have in recent months pursued their economic and political objectives in Austria, a major shift in Soviet occupation policy has not yet been indicated.

20. Belgian budgetary deficit interfering with military production: Although Belgian officials generally believe that their country can balance its ordinary budget, the deficit in its extraordinary defense budget, which has already caused the government to suspend new commitments, has seriously interfered with the forward production planning of such important military suppliers as Fabrique Nationale and Poudreries Reunies. The Belgian Finance Minister has stated that it is impossible to finance 26 million dollars of the extraordinary budget of 596 million dollars without unblocking Belgium's EPU credits or raising loans above those now contemplated.

Although government officials responsible for defense and foreign policy state that NATO commitments must be met, those responsible for financial policy insist that expenditures must not lead to inflation. [REDACTED]

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Comment: It is widely accepted within the Belgian Government that no substantial reduction in budgetary expenditures can be obtained without cutting into military allotments, and

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the Finance Minister has asserted that he will not agree to inflationary measures to meet rearmament needs. The government also has refused to raise taxes.

This attitude toward defense is also probably an attempt to obtain sympathetic consideration of Belgium's position in the EPU, currently being negotiated, as well as a favorable reception for its proposal for pre-financing defense production.

21.

London Embassy comments on Communist BW propaganda campaign:
Explaining that the impact of the Communist BW propaganda campaign in Britain has been "negligible to slight," the American Embassy in London comments that heavy counterpropaganda from Washington would be unnecessary, but not harmful in effect, as far as the United Kingdom is concerned. Pointing out that Foreign Office sources indicate the Communist campaign has had a more substantial effect in the Far East and other areas, the Embassy recommends that the countercampaign be continued, with primary responsibility remaining with Washington. [REDACTED]

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LATIN AMERICA

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24. US Embassy suggests military grant aid to Dominican Republic: Since the Dominican Republic has been considered as an alternate for the receipt of military grant aid, the US Embassy in Havana is interested in knowing whether the availability of funds originally allocated for Mexico and possibly other countries will make it possible to offer grant aid to the Dominican Government during the current fiscal year.

The Embassy has been unofficially informed that Dominican efforts to have the arms production facilities of the country, used in the collective defense effort have just been turned down. It feels that this will undoubtedly result in an unfortunate reaction on the part of the Dominican authorities which might be largely counteracted if any contemplated military grant aid were to be offered without delay.

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NEAR EAST-AFRICA

1. Former Iranian Prime Minister seeks US support: Former Iranian Prime Minister Ahmad Qavam has approached the American Embassy in Paris seeking US support should he be named Prime Minister. Qavam said that he does not want the premiership unless he is drafted by the Majlis and has the full confidence of the Shah and Parliament. [REDACTED]

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Comment: Qavam is the strongest candidate for Prime Minister outside the National Front and, despite his advanced age, he is one of the few able leaders in Iran. He is, however, distrusted by the Shah, who would be unlikely to approve him except as last resort.

2. Britain and Egypt unable to agree on Sudan question: Egypt and Britain have made a little progress in their talks on the proposed defense of the Middle East, but the Egyptian Foreign Minister has reiterated that no real agreement is possible without British recognition of Farouk's title as King of the Sudan.

The Foreign Minister issued what was "practically an ultimatum" that Britain give its answer on the Sudan by 1 April in order that Prime Minister Hilali might determine what action he should take in regard to the 18 May elections. The American Ambassador, however, intends to advise Egypt's official not to insist on the 1 April time limit. [REDACTED]

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